

**BEFORE THE  
FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON, D.C. 20554**

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In the Matter of

Inquiry Concerning the Deployment of  
Advanced Telecommunications  
Capability to All Americans in a Reasonable  
and Timely Fashion, and Possible Steps  
to Accelerate Such Deployment  
Pursuant to Section 706 of the  
Telecommunications Act of 1996

CC Docket No. 98-146

**COMMENTS  
of the  
GENERAL SERVICES ADMINISTRATION**

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The General Services Administration ("GSA") submits these Comments on behalf of the customer interests of all Federal Executive Agencies ("FEAs") in response to the Commission's Notice of Inquiry ("NOI") released on August 7, 1998. The NOI invites comments and replies on actions that the Commission could take to ensure the deployment of advanced telecommunications capabilities to all Americans as soon as possible.

**I. INTRODUCTION**

Pursuant to Section 201(a)(4) of the Federal Property and Administrative Services Act of 1949, as amended, 40 U.S.C. 481(a)(4), GSA is vested with the responsibility to represent the customer interests of the FEAs before Federal and state regulatory agencies. The FEAs require a wide array of interexchange and local telecommunications services throughout the nation. From their perspective as end

users, the FEAs have consistently supported the Commission's efforts to bring the benefits of competitive markets to consumers of all telecommunications services.

The Telecommunications Act of 1996 requires the Commission to examine the availability of advanced telecommunications services and identify the steps necessary to ensure that these services are available throughout the nation on a reasonable and timely basis.<sup>1</sup> The legislation requires the Commission to accelerate the deployment of advanced telecommunications capabilities by removing the barriers to infrastructure investment and promoting competition in the telecommunications markets.<sup>2</sup> The present NOI is the first step in this process.

The NOI requests parties to submit data on the scope of existing advanced telecommunications services, the perceived demands for additional services, the capabilities of carriers to provide these services, and statutory or regulatory barriers to accelerated deployment.<sup>3</sup> In short, the NOI seeks to determine the assets, liabilities, incentives and limitations of the telecommunications carriers that own the networks that would bring many of these services to consumers.<sup>4</sup> The objective of the inquiry is to determine whether experience in the U.S. or other countries points the way to faster deployment to the general public and especially to designated recipients such as schools and libraries.<sup>5</sup>

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<sup>1</sup> Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56, amending the Communications Act of 1934, 47 U.S.C. § 151 *et seq.* ("Telecommunications Act"), at § 161.

<sup>2</sup> *Id.*, Sect. 706(b), and NOI, para. 6.

<sup>3</sup> NOI, paras. 8-10.

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*, para. 8.

The NOI emphasizes that this proceeding is concerned with the future over the long term.<sup>6</sup> Indeed, the Commission has designated a companion proceeding to address actions that it should take now to speed the deployment of telecommunications capabilities by wireline carriers.<sup>7</sup> The Notice of Proposed Rulemaking ("NPRM") in that proceeding contains many concrete proposals and recommendations for comment by carriers and end users.

Because of the need to develop a basic store of information for the longer term, the focus of the instant proceeding is to obtain information from telecommunications carriers and other firms that are actual or potential providers of advanced services. Nevertheless, the Commission extends an invitation to supply comments to all persons or organizations that could be affected by the availability of advanced telecommunications services in the future.

GSA has participated in virtually all of the Commission's proceedings to implement the Telecommunications Act in the past few years. In comments submitted in these proceedings, GSA has set forth the interests of the FEAs as end users of basic and advanced telecommunications services and recommended policies and regulations that will foster full and open competition. GSA appreciates the Commission's invitation to submit comments at this time. GSA anticipates responding in more detail in the reply phase when more data may be available from carriers.<sup>8</sup>

In these initial comments, GSA will briefly address two issues of particular concern from the standpoint of an end user — "How prevalent are advanced

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<sup>6</sup> *Id.*, para. 12.

<sup>7</sup> Deployment of Wireline Services Offering Advanced Telecommunications Capability, CC Docket No. 98-147, *et al.*, Memorandum Opinion and Order, and Notice of Proposed Rulemaking, FCC 98-188, released August 7, 1998.

<sup>8</sup> GSA also plans to submit Comments and Reply Comments in response to the NPRM in CC Docket No. 98-147, *et al.*

telecommunications capabilities at the present time?" and "Are there some significant barriers to further deployment?"

## **II. ADVANCED TELECOMMUNICATIONS SERVICES ARE MOST PREVALENT WHERE THERE IS MORE COMPETITION.**

GSA's experience in procuring telecommunications services throughout the nation shows that innovative and advanced telecommunications services are far more prevalent in areas where competition exists than in areas where competition has not yet developed. This distinction is evident both within the telecommunications industry and by comparing the telecommunications industry with the new "industry" of information service providers.

Prior to 1984, when AT&T divested into seven regional Bell Operating companies and one long distance carrier, there was little competition in any segment of the telecommunications industry. Similarly, when there were fewer carriers, there were also fewer distinct telecommunications services, and limited capabilities to transmit and process messages other than voice or "low speed" data transmissions.

While competition has increased dramatically in the long distance markets, the changes for local services have been selective on a geographical basis. In most cases, significant competition has developed only in urbanized areas. Correspondingly, broadband services, as well as technologies for digital access and shared access for telephony, cable television and electrical power, are most prevalent in the same urban areas where more competition is flourishing.

The growth of the Internet is instructive. The NOI characterizes the growth of the Internet as one of the "wonders of the decade."<sup>9</sup> Unquestionably, the Internet has provided enormous capabilities and benefits to millions of citizens in a very short

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<sup>9</sup> NOI, para. 2.

period of time. Furthermore, the benefits of the Internet have been achieved quite evenly, with no apparent preference to users in any geographical area.

Significantly, the information service provider industry is far more fragmented and competitive than the local service industry. In its comments to the Commission concerning the need to exempt ISPs from access charges, America Online reported that the Internet access market was composed of more than 2,000 companies in mid-1996.<sup>10</sup>

Unquestionably, the highly competitive and fragmented ISP industry has been extremely successful in introducing and promoting the Internet. With intense competition, large segments of the population are enjoying the benefits of a new and technically sophisticated service delivered over the nation's telecommunications networks.

GSA believes that open competition in all telecommunications markets will be the key requirement to bring the benefits of any advanced service to all parts of the country and all groups of users.

### **III. SEVERAL SIGNIFICANT BARRIERS TO COMPETITION WILL IMPEDE DEPLOYMENT OF ADVANCED TELECOMMUNICATIONS SERVICES.**

Unfortunately, GSA's experience as an end user of local and interexchange telecommunications services has also shown that there continues to be barriers to open competition. These barriers will impede the deployment of advanced telecommunications services, because they will pose direct barriers to competition and because of their impact on the infrastructure necessary to foster the introduction of all new systems and facilities.

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<sup>10</sup> Access Charge Reform, CC Docket No. 96-262, *et al.*, Comments of America Online, Inc., March 24, 1997, page 7.

Several of the most important barriers to competition relate to rate structures. For example, as GSA explained recently in its comments in another proceeding, the Commission must employ an economically efficient system of access charges for all local exchange carriers ("LECs").<sup>11</sup> The Commission recently took some excellent steps to move towards an economically efficient access charge system for carriers subject to price cap regulation. However, a system reflecting underlying cost structures is also critical for local exchange carriers subject to rate of return regulation. Indeed, interstate access charges are a much larger part of total revenues for most of these smaller companies, and it is much more difficult to foster competition in the suburban and rural areas that they principally serve.

While the Commission has correctly modified the access charge system for price cap LECs to recover non-traffic costs with flat charges, there are still deficiencies in the system of access charges for these carriers. For example, the existing differences in the caps on the Presubscribed Interexchange Carrier Charges ("PICCs") applicable to business and residence lines have no cost basis. While the Commission is addressing this issue in the proceeding concerning the rate-of-return carriers, it is pertinent for carriers subject to price caps as well.<sup>12</sup> As GSA has explained, the access charge system employed by all carriers discourages competition in providing basic services to most subscribers outside of core city areas.<sup>13</sup> This system will impede deployment of advanced telecommunications services outside of those areas as well.

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<sup>11</sup> Access Charge Reform for Incumbent Local Exchange Carriers Subject to Rate-of-Return Regulation, CC Docket No. 98-77, Comments of GSA, July 17, 1998, pages 2-4.

<sup>12</sup> *Id.*, page 7-8.

<sup>13</sup> *Id.*



There are similar inequities in the rate structures employed for local exchange services throughout the nation. GSA's experience in cases before state regulatory bodies has shown that business subscribers are almost always charged significantly more for basic dial tone lines, local usage, features such as call waiting, and even long distance services, with no cost basis whatsoever. These pricing imbalances, which are often embedded in the price cap plans approved by local regulators, seriously impede open competition. At least one major LEC is now petitioning to eliminate them.<sup>14</sup> While state regulators have authority over the rates and rate structures for local services, GSA urges the Commission to take any possible steps to encourage these agencies and the local carriers to remove the barriers that will certainly impact the deployment of advanced services throughout the nation.

In addition, the lack of efficient access to operations support systems ("OSS") is a barrier to open competition for telecommunications services. As GSA has discussed in previous comments, efficient access to OSS is vital to new competitors attempting to offer high quality services to their own customers.<sup>15</sup> The major incumbent carriers control most of the telecommunications infrastructure in the nation. Efficient competition benefiting end users for basic or advanced services will not develop until competing carriers have efficient access to this infrastructure.

The fact that access charges are above the level of costs presents an additional barrier to full and open competition. A report released by the Commission's Industry Analysis Division in July 1998 provides ample evidence of high rates of return for major incumbent carriers. Interstate rates of return for the seven Bell holding

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<sup>14</sup> Illinois Commerce Commission Docket No. 98-0335, Petition by Ameritech Illinois, April 30, 1998.

<sup>15</sup> Performance Measurements and Reporting Requirements for Operational Support Systems, Interconnection, and Operator Services and Directory Assistance, CC Docket No. 98-56, RM-9101, Comments of GSA, July 6, 1998, page 2.

companies ranged from 10.3 percent to 18.2 percent in 1997.<sup>16</sup> The excessive access charges that lead to these rates of return impede the development of competition, cause end users to pay too much for many services, promote uneconomic bypass, and place unnecessary burdens on interexchange carriers.<sup>17</sup>

There are additional barriers — including requirements in some states that long-term contract prices be similar to short-term tariff rates, regulations mandating pre-approval of contracts, and others. Such barriers will also impede the introduction of new and innovative services. GSA urges the Commission to take any possible actions to remove them.

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<sup>16</sup> Industry Analysis Division, *Trends in Telephone Service*, July 1998, Table 14.1.

<sup>17</sup> Access Charge Reform, CC Docket No. 96-262, Comments of GSA, January 29, 1997, pp. 3-10.

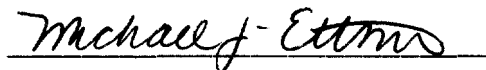
#### IV. CONCLUSION

As a major user of telecommunications services, GSA urges the Commission to implement the recommendations set forth in these Comments.

Respectfully submitted,

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September 14, 1998

## CERTIFICATE OF SERVICE

I, MICHAEL J. ETTNER, do hereby certify that copies of the foregoing "Comments of the General Services Administration" were served this 14th day of September, 1998, by hand delivery or postage paid to the following parties.

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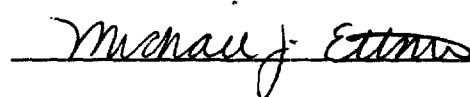
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